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Frustrating a European Generation

Assessing the Likelihood of Future Socio-Political Instability in European Countries

Large scale demonstrations in Southern European countries against democratically elected governments have been a recurring phenomenon in recent months. They result directly from widespread resentment against governmental austerity policies, especially amongst the younger cohorts of the populations. These cohorts are often most heavily affected by the current situation, with skyrocketing levels of youth unemployment amidst increasing levels of socio-economic inequality. Their future prospects, moreover, are bleak, as exploding public debt leaves governments ill equipped to kick-start economic growth. The ensuing social and political instability in these countries should therefore not come as a surprise. With this in mind, we assessed the likelihood of future socio-political instability for countries across the European continent.[1]

We hypothesise that the combination of high rates of youth unemployment, high levels of income inequality and a large public debt may serve as a catalyst of socio-political instability. Our hypothesis is based on the assumption that a frustrated generation of socio-economically deprived youngsters, who are unable to get a job and have little perspective for improvement, may express its discontents in politically destabilizing ways, including demonstrations and riots, if not worse. To assess this risk, we collected data for these three factors for each country, ranked the countries for each factor (using normalized scores), and combined these rankings into an overall 'youth frustration'-monitor.[2]

The obvious countries in peril, Greece, Italy, Portugal and Spain (GIPS) set aside, the picture that emanated from this exercise rendered a number of interesting conclusions. First, whereas most attention is geared towards the above mentioned GIPS countries, Hungary shares first place together with Greece. Hungary's economic woes and resulting public debt increase and currency depreciation are well-known in light of its IMF bail out. However, on top of that Hungary has the highest level of income inequality in all of Europe. By way of example, even a notoriously corrupt country such as Moldova has a more even income distribution than Hungary. Moreover, in terms of youth

[1] Europe is conceived as the European Union (EU) plus Albania, Belarus, Bosnia and Herzegovina, Croatia, Iceland, The Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Norway, Serbia, Switzerland and Turkey. Unfortunately, we were not able to retrieve data for Ukraine (for all factors) and have therefore excluded it from our analysis.

[2] We weighed all factors equally. The total aggregated risk score is therefore the sum total of the normalized scores of the three factors divided by three. For more information on the method and the data, we refer to the methodology document which can be retrieved by returning to the main page and clicking the "Download More Info" button.

unemployment, Greece and Spain fare only a few percentage points worse than Hungary. What does this all mean? We expect that should economic circumstances in Hungary worsen and youth unemployment rise by only a few percentage points, it will not take much to spark unrest. One only has to look at Greece to see how quickly things can escalate.

Second, a number of other countries perform poorly on one or two of our economic drivers of instability but not across all three. In the Baltic region, for instance, Latvia and Lithuania have higher rates of youth unemployment than Spain while also featuring a wide societal gap when it comes to income equality. Their public debt levels, however, are much lower compared to other countries in Europe, so there possibly is some prospect for improvement. France also lights up red on our monitor, although for different reasons. France performs better in terms of youth unemployment levels and with respect to its income distribution. France's high public debt however is a cause for concern, as it limits the government's ability to influence the other two indicators should economic circumstances worsen.

Third, looking towards the Southeast, the Balkans emerge as bastion of instability. With alarmingly high levels of youth unemployment of close to 60% Montenegro provides fertile soil for an incited youth movement. Neighboring Bosnia demonstrates an almost equally disastrous rate of youth unemployment at 47%. Although both countries perform well in terms socio-economic equality and fare better than other countries when it comes to their public debt, this may be of little value if (over) half of young people do not have a job to begin with. In the face of such high levels of youth unemployment regionally, one could – ironically – claim that Albania is doing great compared to its neighbors with 'only' 27% of its youngsters without a job. Even if the proverbial one-eyed is king in the land of the blind, this would not do justice to the state of play in Albania (as it would ignore other drivers of instability not discussed in this monitor, including the rule of law and overall government effectiveness). An additional implication worth mentioning here is the inevitable brain-drain of young, qualified 'high potentials' from this region.

Fourth, despite its booming economic development, Turkey ranks tenth in Europe, hinting at a looming source of societal instability. Turkey's public debt might not be very high and its youth unemployment levels score relatively low compared to other countries in Southern Europe; its levels of income inequality however rank it fourth highest of Europe, just under Macedonia. Turkey's high economic growth rates are likely to serve as a cushion to dampen societal dissatisfaction over the unequal distribution of wealth. However, should Turkey's economic growth level off, or even worse, decline, and youth unemployment rise, this factor is definitely something to keep an eye on.

The main conclusion from this brief analysis is that whereas countries such as Greece and Spain are currently in no position to tackle the problems of high youth unemployment and boost economic growth in the short term, one cannot help but feel that our attention should be strategic in nature as well. Sure, there is an urgent need to take on the immediate and acute problems of many high debt countries to protect the Euro and preserve the monetary union. But in addition, decision makers need to bear in mind that these necessary policies should not sow the seeds of future instability, neither in EU countries, nor in those countries at the EU's doorstep.